

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner  
Marshall Johnson  
Ken Nickolai  
Phyllis A. Reha  
Gregory Scott

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Annual Report of Northern  
States Power Company d/b/a Xcel Energy  
Regarding the Miscellaneous Deferred Debit  
Account for Manufactured Gas Plant  
Investigation and Cleanup Costs

ISSUE DATE: March 23, 2004

DOCKET NO. G-002/M-99-248

ORDER ENDING DEFERRED  
ACCOUNTING

**PROCEDURAL HISTORY**

On September 30, 1998, the Commission authorized Northern States Power Company's Gas Utility (the Company) to increase gas rates to recover, among other things, the cost that the Company had incurred to clean up manufactured gas sites at Red Wing, Stillwater, Kopper's Coke Pipeline and the High Bridge Levee Station. The Commission also authorized special accounting for the continuing costs of these projects.<sup>1</sup>

On February 26, 1999, the Company initiated the current docket by seeking special accounting for the cost of cleaning up a manufactured gas site in Brainerd. On May 28 the Commission approved this accounting, but directed the Company to report annually on its clean-up expenses (as well as receipts from insurance and other third parties) related to the continuing projects at Brainerd, the Koppers Coke Pipeline and High Bridge Levee Station. The current docket has remained open to receive these reports.

On August 29, 2003, the Minnesota Department of Commerce (the Department) filed comments on the Company's recovery of clean-up costs. The Company replied to the Department on October 10, and the Department replied to the Company on January 30, 2004.

The matter came before the Commission on February 12, 2004. At the hearing, Xcel stated that it did not contest the Department's recommendations.

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<sup>1</sup> *In the Matter of the Application of Northern States Power Company's Gas Utility to Change its Schedule of Gas Rates for Retail Customers Within the State of Minnesota*, Docket No. G-002/GR-97-1606 FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER (Settlement ¶ 4.4 "Environmental Clean-up Costs and Allocations").

## **FINDINGS AND CONCLUSIONS**

### **I. BACKGROUND**

#### **A. Manufactured Gas**

In the past the Company extracted natural gas from coal. Various sites around the state were involved in this enterprise, including the following:

- The Brainerd plant produced coal gas from about 1916 to 1939 and was sold in 1956.<sup>2</sup>
- The Red Wing plant produced coal gas from 1873 to 1940.
- The Stillwater plant produced coal gas and was owned by the Company from 1916 until 1953.
- The Kopper's Coke Pipeline, built in 1916, was used to transport manufactured gas to the High Bridge Levee Station. The site was retired in 1978.
- The High Bridge Levee Station stored various coal gas byproducts.<sup>3</sup>

In the process of extracting natural gas, the Company generated potentially hazardous byproducts including complex mixtures of coal tar, ash, lampblack, sludges and spent oxide box wastes. Some of these substances remained on the sites long after manufactured coal operations concluded. The U.S. Environmental Protection Agency listed many of the Company's manufactured gas sites on its "Superfund" list of sites requiring environmental clean-up. Under this law, a firm may be liable to clean up a site even if the firm no longer owns the property. 42 U.S.C. § 9601 *et seq.* The Minnesota Pollution Control Agency enforces an analogous state law as well. Minn. Stat. Chap. 115B.

Consequently, the Company has begun cleaning these sites.

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<sup>2</sup> Regarding the Brainerd site, see the Company's filing (February 26, 1999).

<sup>3</sup> Regarding the Red Wing, Stillwater, Kopper's Coke Pipeline and High Bridge Levee Station sites, see *In the Matter of the Application of Northern States Power Company Gas Utility for Approval of Deferred Accounting for Certain Manufactured Gas Plant Site Cleanup Costs*, Docket No. G-002/M-94-104 ORDER GRANTING REQUEST FOR DEFERRED ACCOUNTING (September 6, 1994).

## **B. Deferred Accounting**

The Company maintains financial records according to the Uniform System of Accounts (USOA) promulgated by the Federal Energy Regulatory Commission. Under the USOA, each year's revenues and expenses are typically recorded and reported together. But the Commission permits a utility ask to deviate from the USOA under exceptional circumstances. Minn. Rules part 7825.0300, subp. 4. In particular, the Commission has authorized the Company to record its costs related to cleaning up these manufactured coal sites differently.

Specifically, in 1998 the Commission authorized the Company to recover \$919,206 per year for five years to recover certain clean-up costs that the Company had already incurred. Additionally, because the clean-up was not yet complete at Brainerd, Koppers Coke Pipeline and High Bridge Levee Station, in 1998 and 1999 the Commission authorized the Company to track these future clean-up costs in a deferred debit account for possible recovery in a future rate case.

Consistent with the Commission's 1999 Order, the Company has filed annual reports on the amount of clean-up costs it has incurred and the amount of clean-up costs it has recovered – including recovery from ratepayers, from insurance companies, and from third parties.

## **II. PARTY POSITIONS**

On August 29, 2003, the Department filed comments on the Company's recovery of clean-up costs. The Department noted that more than five years had passed since the Commission's 1998 Order authorized a five-year recovery of clean-up costs, yet ratepayers are continuing to contribute a projected \$919,206 per year for this purpose. The Department calculates that the Company has a balance of \$485,606 in unrecovered clean-up costs in its deferred debit account. The Department argued that this debit will be more than satisfied by the Company's current recovery of clean-up costs, and that the deferred debit account should be terminated.<sup>4</sup>

While the Company does not concur in the Department's legal theory, following an exchange on comments the Company agreed not to contest the Department's recommendation. Specifically, the Company acquiesces in reducing the balance in the deferred debit account by the amount of insurance recoveries the Company has recovered related to the manufactured gas clean-up, and agrees to abandon efforts to recover ("write off") the amount remaining.

## **III. COMMISSION ACTION**

Having reviewed and considered the record of the case, including the arguments of the parties, the Commission finds that the parties have arrived at a reasonable resolution of the issue and will so order.

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<sup>4</sup> Some clean-up costs are allocated to Northern States Power Company's electric operations; this recommendation does not address the recovery of those costs.

## **ORDER**

1. The Company's deferred accounting for the cost of cleaning up manufactured gas sites is terminated. The Company will offset the amount of clean-up cost recorded to the deferred account by the amount of the insurance proceeds related to the clean-up of the manufactured gas sites, and will write off the balance.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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